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CIA knew Kremlin would try frame-up

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FOLLOWING the arrest of Soviet spy Gen. nadly Zakharov in Queens last month, the CIA cabled an urgent warning to American diplomats in Moscow that the Soviet KGB probably would retaliate. The Post has learned.

Exactly a week later, Nicholas Daniloff, the Moscow bureau chief of U.S. News & World Report, was framed by the KGB on spy charges.

Sources said the CIA cable was dispatched to the U.S. Embassy in Washington, warning that Zakharov's arrest without bail was likely to provoke a "strong reaction" from the Soviet KGB.

As a result, American diplomats were told to keep a low profile.

The Post reported Monday that the White House was furious over the way FBI and Justice Dept. officials in New York handled Zakharov's case after he was arrested in a Queens subway station on Aug. 23.

One administration official said New York law enforcement officials unwisely angered the Soviets by holding Zakharov without bail, and by making "too much of a big deal" out of his arrest.

Instead, the official said, the case of the low-level Soviet spy should have been handled quietly in keeping with traditional rules of the spy game.

Secretary of State George Schultz confirmed yesterday that he had not been consulted by New York officials.

But he denied that FBI agents and Eastern District federal prosecutors in Brooklyn had botched the Zakharov affair.

"I don't think there's been any mishandling," Schultz said.

"The point is that Zakharov was caught spying.

"He is a spy and he's been charged, and we have the evidence. And so there's that."

"There's nothing wrong with arresting a man you catch spying."

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